

TVS launches 110cc motorcycle Radeon to boost commuter bike portfolio

FE BUREAU

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TVS MOTOR ON Thursday announced the launch of the TVS Radeon, a 110cc commuter bike, to further strengthen its commuter motorcycle portfolio, taking forward the price war in the economy segment.

The entry-level bike segment sold 22,12,367 units in Q1 of FY19 and accounted for 60% of the total motorcycle sales for the quarter. The launch of the TVS Radeon in the economy segment is interesting to note, since Bajaj Auto has initiated an aggressive pricing strategy in the segment to gain market share. The two-wheeler, launched at ₹48,400, will compete with Bajaj Auto's CT 100 and Platina, and Hero Motor Corp's HF Dawn and Splendor.

The lower margin economy segment of motorcycles with engine capacity between 75cc and 110cc is dominated by Hero Moto Corp with 75% market share in the segment, while the second biggest player is Bajaj Auto with 15% market share, followed by Honda Motorcycle and Scooter with 6% market share. TVS accounts for 4% in the segment. In Q1 FY19, Bajaj Auto cut prices of the CT 100 by ₹3,000, triggering a price war and making it difficult for players like TVS, Hero and Honda to sustain their market share.

TVS Motor president and chief executive officer KN Radhakrishnan told analysts over a conference call that the com-



TVS Motor's joint managing director Sudarshan Venu (right) with company's president and CEO KN Radhakrishnan during the launch of the Radeon in Chennai on Thursday

pany is not going to engage in a discount war.

"There is a challenge in the domestic commuter motorcycles, but we consciously do not want to take part in the discount war in the commuter segment as it will affect long-term brand value," Radhakrishnan said. For the quarter ending June this year, TVS Motor's market share in the entry-level bike segment stood at 4%, down 200 bps year-on-year.

Analysts at Kotak Institutional Equities observe that the company reported a lower-than-expected Ebitda margin of

7.2% because of increasing commodity prices and marketing costs. They further note that it will be difficult for TVS to gain market share in the two-wheeler industry due to increasing competition by other players.

TVS Motor's stock closed at ₹544.80 on Thursday at the BSE. Although the stock has gained 0.8% over the last one month, it has lost 18.3% over the last six months.

The company has maintained the capex of ₹700 crore for FY19, which will be used for product development and upgrading products to meet the new emission norms.